ASX RELEASE

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ASX: ARU

ARAFURA RESOURCES LIMITED

AN EMERGING RARE EARTHS PRODUCER FOR USERS WORLDWIDE

Monthly NdPr and Rare Earth Price Update

Arafura Resources Limited (**ASX: ARU**) ("**Arafura**") is pleased to provide an update on rare earth prices for June 2017.

The latest pricing information has neodymium-praseodymium ("NdPr") oxide FOB China, at US$47.54/kg. This represents an increase of 10.3% since the end of May 2017 and a year to date increase of 26.9%. Prices are now at their highest levels since June 2015. NdPr is the main product Arafura anticipates producing from its 100%-owned Nolans project and NdPr price is the key driver of Nolans project economics.

Figure 1: NdPr Oxide – China Domestic Pricing and Nolans OPEX [1]

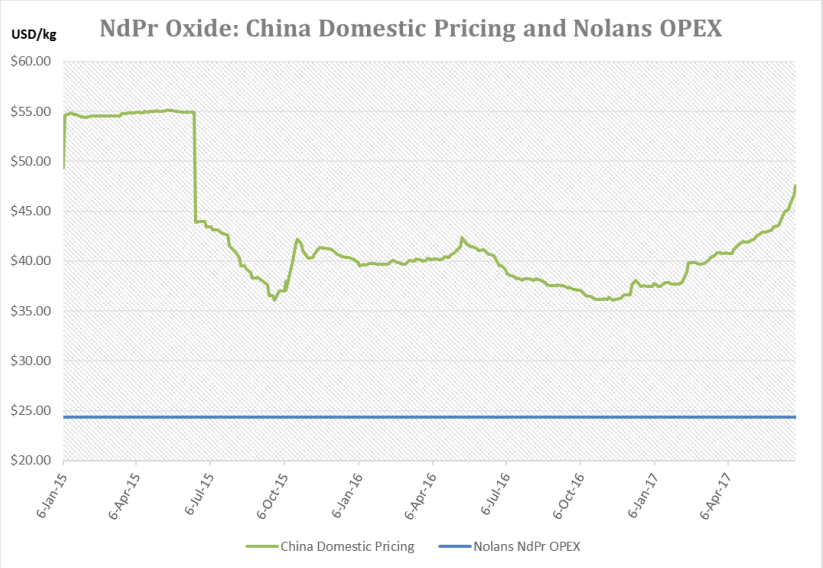
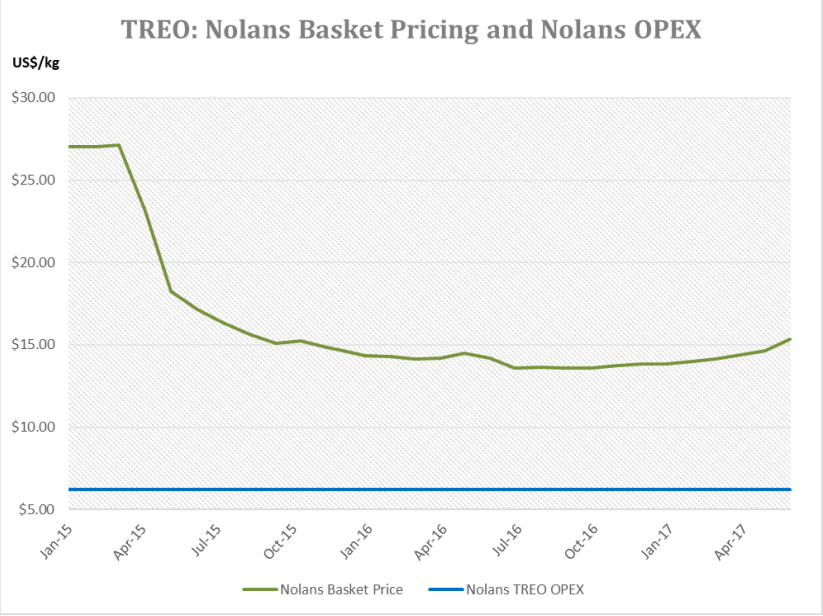


Figure 2: TREO – Nolans Basket Price and Nolans OPEX [2]



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Based on latest NdPr prices, the implied basket price for the Nolans NdPr project is US$15.32/kg versus the estimated OPEX (net of all by-product credits) of US$6.23/kg.

About NdPr

NdPr is in short supply globally and is the critical raw material in the manufacture of ultra-strong, high-performance permanent magnets, which are used extensively in the automotive industry for electric components such as seats, mirrors, wipers, steering and braking.

Importantly, the compound has also emerged as a key enabler of hybrid and electric vehicles as high-performance magnets play a key role in electric traction motors. While traditional petrol or diesel combustion engine motor vehicles each use approximately 0.7 kg of NdPr oxide, electric or hybrid vehicles require an additional 1 kg.

The increasing shift towards hybrid and electric drivetrain technologies among the world's leading automotive manufacturers is expected to continue to positively influence market fundamentals for NdPr.

About Arafura's Nolans NdPr Project

Arafura's Nolans NdPr project, located 135 kilometres north-north-west of Alice Springs in Australia's Northern Territory, is supported by Mineral Resources of 56 million tonnes grading 2.6% total rare earth oxide ("TREO") that contain approximately 382,000 tonnes of NdPr oxide. The project is forecast to produce 14,000 tonnes of TREO per annum, including 3,600 tonnes of NdPr oxide per annum, over a 20+ year mine life.

– ENDS –

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[1] *Source: Composite of price data from Argus Metals, Asian Metal, Info-RE and Shanghai Metals Market.*

[2] *Refer Arafura Resources ASX release 7 June 2017 for additional and qualifying information on the Mineral Resources that underpin the production target and provides the material assumptions on which the production target is based.*

Arafura confirms that all material assumptions underpinning the forecast financial information derived from its 14,000 tpa production target and the production target itself, continue to apply and have not materially changed since the 7 June 2017 release.

Table 1: Mineral Resources for the Nolans Bore deposit as at 7 June 2017 using a 1% TREO Cut-Off Grade.

Resources	Tonnes (Millions)	Rare Earths TREO %	Phosphate P_2O_5 %	NdPr Enrichment %
Measured	4.9	3.2	13	26.1
Indicated	30	2.7	12	26.4
Inferred	21	2.3	10	26.5
Total	**56**	**2.6**	**11**	**26.4**

Note: Numbers may not compute due to rounding. "NdPr Enrichment" is the proportion of TREO comprising Nd_2O_3 and Pr_6O_{11}.

Competent Persons Statement

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Kelvin Hussey, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr Hussey is a full-time employee of Arafura Resources Limited. Mr Hussey has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves. Mr Hussey consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.